

Service Date June 20, 1973

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER OF the application of
the MONTANA-DAKOTA UTILITIES
COMPANY for authority to increase its
rates and charges for natural gas and
electric service furnished in the State of
Montana.

UTILITY DIVISION

DOCKET NO. 6126

ORDER NO. 4101

* * * * *

Be it remembered that this matter was regularly heard before the Public Service Commission of the State of Montana in accordance with the notices of hearing issued in this docket. The hearing commenced at the hour of 10:00 o'clock a.m. on the 8th day of January, 1973, in the criminal courtroom of the Yellowstone County Courthouse, in the City of Billings and continued on the 9th and 10th days of January.

Hearings at which only the public were allowed to appear and testify were held at Glendive, Montana, on January 11, 1973, at Wolf Point, Montana, on January 12, 1973, and at Glasgow, Montana, on January 12, 1973

APPEARANCES: For the Applicant

Henry Loble, attorney at law,
Box 176, Helena, Montana 59601.

Lester H. Loble III, attorney at law,
Box 176, Helena, Montana 59601.

For the Commission

William E . O'Leary, Admin ., Legal Division
William M. Johnson, Admin., Public Utility Division
Dennis Crawford, Dep. Admin., Public Utility Division
George F. Hess, Consultant

BY THE COMMISSION:

On July 19, 1972, the Montana-Dakota Utilities Company filed its petition with the Montana Public Service Commission for authority to increase rates and charges for natural gas and electric services furnished in Montana. The commission set a single hearing procedure in this matter along with hearings at which members of the public alone were allowed to testify.

As heretofore stated, the company filed a petition for authority to increase its rates and charges for both natural gas and electric service within the State of Montana. For the purpose of identification and clarity the commission in this docket will confine its order relating to natural gas service to Part "A" of the order and will confine its order relating to electric service to Part "B" of the order .

Part "A"

Rate Base

The commission has determined that the company presented the valuations set forth below for the test year ending December 31, 1971, for the natural gas property devoted to serving its Montana customers:

| | |
|--|--------------|
| Reproduction Cost New (RCN) | \$77,996,000 |
| Reproduction Cost New Depreciated (RCND) | 62,524,000 |
| Original Cost (OC) | 41,245,000 |
| Original Cost Depreciated (OCD) | 26,372,000 |
| Gas Stored Underground | 6,053,000 |
| Contributed Plant (OC) | 585,000 |
| Contributed Plant (Trended) | 1,354,000 |
| Customer Advances (OC) | 26,000 |
| Customer Advances (Trended) | 42,000 |
| Construction Work in Progress | 43,808 |
| Working Capital (WC) | 1,763,497 |
| Fair Value Rate Base | 55,047.854 |

The RCN and RCND valuations included an amount for recoverable natural gas reserves. These reserves were valued for RCN and RCND purposes only at 5 cents per MCF. A company witness testified that the 5 cents per MCF was based on the price upon which the State of Montana and federal royalty payments are computed and the value of gas used for tax purposes in the State of Wyoming. This witness also stated that 5 cents was the price paid by the company in acquiring many of the reserves held by the company. There was no testimony entered disputing the price placed on the reserves as such. Due to the tremendous importance of these reserves to the consumers of the company, reserves will be included in consideration by the Commission of the RCN and RCND valuations of the company's properties. The Montana Supreme Court has set forth observed depreciation as the preferred method to be used in determining RCND valuations in Tobacco River Power Co. v. Montana Public Service Commission, supra, 109 Mont. at 534, 33 PER NS at 159, where the court states:

"The accrued depreciation should be ascertained, where possible, by actual inspection or examination of the property, especially where the age of various items of the property is different or the depreciation is wanting in uniformity, and such method of determination is always preferable to calculations or estimates based merely upon probabilities . "

The commission again had the valuable services of Mr. George Hess, consulting engineer of Minneapolis, Minnesota. Mr. Hess developed several methods by which the commission could test the accuracy of the observed depreciation computations of the company. All tests found the observed depreciation to be dissimilar to the book depreciation studies upon which the book depreciation is based and once again the commission finds that there is a wide variation in the percent condition of RCND valuation and the percent condition of the OCD valuation. The RCND valuation showing nearly an 80 percent condition and the OCD valuation approximately a 62 percent condition. This of course shows a wide variance in the percent condition of the RCND valuations and the OCD valuations. As it has in previous cases the Commission will adjust the percent condition of the RCND valuations so that it more closely coincides with the actuarially developed percent condition of the OCD valuations. A witness for the company testified in response to the question, "What is the valuation set by the Montana State Board of Equalization?" He answered,

"I do not know. The assessment for taxation purposes for all MD.'s properties located in the State of Montana is \$27,635,075, but this is not to be confused with the value of the property. For instance, a house of \$25, 000 value might have an assessment for taxation purposes of only \$6,000.

It should be emphasized that the assessment recited applies only to the properties physically situated in Montana. In this regard, I refer you to Applicant's Exhibit No. 10. For the year 1971, you will note that Montana received 40.38% of the deliveries from the Integrated Gas System, whereas there was only 6.46% of the Integrated System gas produced and purchased in Montana. Thus it is quite obvious that there are significant facilities located outside the state of Montana that are being used for the purpose of satisfying the needs of Montana customers.

Therefore, I can only conclude that the valuation or tax assessment set by the Montana Board is not applicable, as such, to this particular proceeding."

The Commission is required by Section 70-116, RAM 1947, to determine the Value of the properties of the utility. The commission has followed the mandate of the Montana Supreme Court in Tobacco River Power Co. v. Mont. Pub. Serv., Come., (1940), 109 Mont. at 521, 529, 530, 33 PER NS at 151, 156, ga P.d. 886, in determining the fair value of the company's properties. The Montana Supreme Court in Tobacco River set forth the following:

"It is observed from 3884 that considerable latitude is allowed the public service commission in determining value. Neither the public service commission nor the utility company is limited to or bound by any particular method in arriving at the solution of the question of value. It must be borne in mind always that the ultimate fact to be determined is value upon which rates are based, which must of course be done under proper legal procedure and restrictions.

The cost of reproduction new, less depreciation, is usually regarded as one of the most important, if not the dominant factor, in the determination of value. (Citation) Under the section of the Montana codes cited, assessment rolls are likewise admissible as evidence of value, but of course are not exclusive. When the state condemns property of a landowner it frequently resorts to assessed valuations as evidence, but more often than not the jury will determine damages and valuation in excess of that set out in the assessment rolls. Original cost, assessment values, cost of reproduction new, prudent investment theory, public records mentioned in 3884, and opinions of value are all means to an end,

namely, the determination of value."

Since the above decision was issued it has been affirmed three times by the Montana Supreme Court. Montana ex rel Olsen v. Montana Pub. Service Come. (1957) 131 Mont. 272, 276, 18 PAIRED 355, 309 P.d. 1035; Montana ex Red. Olsen v. Montana Pub. Service Come. (1957) 131 Mont. 111, 308, P.2d 633 Cascade County Consumers Asso. v. Montana Pub. Serv. Comm (1964)

144 Mont. 169, 196, 55 PUR3d 314, 394 P.2d 856.

An allowance of \$1,763,497 was requested to be included in the valuation considerations for working capital. The Commission finds that there are sufficient reserves and accruals to take care of the working capital requirements and the request is disallowed.

The company also included amounts for gas plant in service classified as construction work in progress at December 31, 1971. These amounts have been deleted from all valuation considerations.

All elements of value and the deletions and adjustments set forth above have been considered by the commission in determining the present fair value of the company's natural gas properties for the test year ending December 31, 1971. After these considerations the commission finds the present fair value of the company's natural gas properties devoted to the use of the public and actually used and useful for the convenience of the public in the Montana natural gas operations to be \$44,726,763 as of December 31, 1971.

Operating Results

The company submitted exhibits showing the actual operating results of the company for the test year 1971 to be \$2, 203, 286 in net operating income. After making normal degree day adjustments and reflecting higher labor costs and higher costs of gas along with other revenue and expense adjustments the company presented figures purporting to result in net operating income for the test year of \$1, 825, 000.

The commission objected at the hearing, and put into evidence material supporting its objections to the method by which the company computed its income taxes. The company did not claim deductions for preferred stock dividends, depletion, etc. Although partially using the flow-through method of accounting for accelerated depreciation, the company chose to use the normalized method in full for the purposes of these proceedings.

The commission has recomputed the income tax of the company taking those deductions not taken by the company and using, when applicable, the flow-through method of accounting for accelerated depreciation.

The commission has adjusted the revenue and expense figures submitted. The commission has disallowed all advertising expenses. It has also disallowed claimed expenses for depreciation and ad valorem taxes on non-revenue producing construction in progress on December 31, 1971.

After making the adjustments, as set forth above, the commission determines that the net operating income for the year ended December 31, 1971 to be \$2,228,537.

Rate of Return

In the previous Montana-Dakota Utility Docket #5872, decided November 9, 1970, the commission found a fair rate of return to be 6.5 percent on the fair value of the company's properties.

As there has been no significant changes in the facts used to determine a fair rate of return since the previous docket, the commission finds that a rate of return of 6.5 percent on the fair value of the company's properties to be a fair, just, equitable and reasonable rate of return as of December 31, 1971.

CONCLUSION

The commission has determined that a fair rate of return of 6.5 percent is indicated in this docket. A fair value rate base of \$44,726,763 has been established for the company's properties devoted to its Montana natural gas customers. This results in required earnings of \$2,907,239 for the test year 1971. As the commission has established earnings or net operating income under the existing rate schedules for the test year 1971 to be \$2,228,537, an increase in earnings of \$678,702 is necessary. After an allowance for income taxes, the commission finds that additional revenues of \$1,399,676 are required.

This commission finds that no increase shall be allowed on the first 15 MCF's of the general gas rate schedule nor on the minimum bill. The commission also rejects that portion of the application requesting a "Cost of Purchased Gas Adjustment Clause" on

the General Gas Schedule. In Docket No. 5872 the increase granted was not applied to the rate schedules for Baker and Saco. The commission finds that the Baker and Saco rate schedule shall, effective July 1, 1974, become the same as the existing rate schedule for the rest of the system.

Therefore after reviewing all the testimony, exhibits and evidence and from the testimony, exhibits and evidence and for the reasons stated above, the commission makes the following:

FINDINGS OF FACT

1. That the Montana-Dakota Utilities Company is a public utility furnishing natural gas service and electric service in the State of Montana and is subject to the jurisdiction and authority of this commission.

2. That the present fair value of the Montana portion of the company's integrated natural gas system properties actually used and useful for the convenience of the Montana public is \$44,726,763 as of December 31, 1971.

3. That the present schedules of rates and charges produced adjusted earnings of \$2,228,537 for the test year 1971.

4. That earnings of \$2,228,537 produced a rate of return of 4.98 percent on the present fair value of the company's properties of \$44,726,763.

5. That the existing rates and charges provide the company a deficient rate of return and that rate relief is needed by the company.

6. That 6.5 percent is a fair, reasonable and equitable rate of return.

7. That a rate of return of 6.5 percent taken in conjunction with the present fair value of the company's properties would require earnings of \$2, 907, 239.

8. That the adjusted earnings as of December 31, 1971 under the present schedules of rates and charges were \$2,228,537.

9. That an increase in earnings of \$678, 702 is required.

10. That the company be authorized to file schedules of rates and charges that will produce \$1, 399, 676 in additional revenues including \$720, 974 in additional state and federal income taxes.

11. That the "Cost of Purchased Gas Adjustment Clause" applied for be disallowed on the general gas rate schedule.

12. That the "Cost of Purchased Gas Adjustment Clause" applied for be allowed on the industrial rate schedule.

13. That the rate schedules for Baker and Saco continue in the steps ordered previously until June 30, 1974. On July 1, 1974 the existing General Gas Schedule 60-M3a will be placed in effect at Baker and Saco.

14. That the increase approved is cost justified and does not reflect future inflationary expectations.

15. That the increase approved is the minimum required to assure continued adequate and safe services or to provide for necessary expansion to meet future requirements .

16. That the increase approved will achieve the minimum rate of return needed to attract capital at reasonable costs and not to impair the credit of the company.

17. That the increase approved does not reflect labor costs in excess of those allowed by policies of the Cost of Living Council.

18. That the increase approved takes into account expected and obtainable productivity gains.

19. That the commission has provided reasonable opportunity for participation by all interested parties or their representatives in this proceeding.

20. That the schedules of rates and charges hereinafter set forth are fair, just, reasonable and non-discriminatory.

The commission concludes that the rate relief requested in the petition of the Montana-Dakota Utilities Company for its Montana natural gas division be granted in part as hereinafter ordered.

ORDER

NOW, THEREFORE, at a session of the Public Service Commission of the State of Montana, held in its offices at 1227 11th Avenue, Helena, Montana, on May 29, 1973, there being present Chairman Louis G. Boedecker and Commissioners Ernest C. Steel and Robert E. McTaggart, there regularly came before the commission for final action the matters and things relating to the application of the Montana-Dakota Utilities Company for authority to adopt new rates and charges for natural gas service in Docket No. 6126 and the commission being fully advised in the premises;

IT IS ORDERED by the commission that the Montana-Dakota Utilities Company be

authorized to file revised schedules of rates and charges for natural gas service furnished in Montana, said revised schedules to reflect an increase in revenues of \$1,399,676 so as to provide an increase in earnings of \$678,702; that said rate schedules be in conformity with the rate structures set forth below in that there be no increase on the first 15 MCF's nor on the minimum charge of the general gas schedule.

General Gas

For Use In:

All territory in Montana served with natural gas by the Company except Baker and Saco.

Availability:

Gas may be used for all purposes except for resale subject to the special terms and conditions contained herein.

Rate:

| | | | | | | | |
|-------|----------|----------|-----------|--------|-----|--------|----------|
| First | 10,000 | cu. ft. | per month | \$.93 | per | 1,000 | cu. ft. |
| Next | 5, 000 | cu. ft. | per month | .77 | per | 1, 000 | cu . ft. |
| Next | 15, 000 | cu. ft. | per month | .93 | per | 1, 000 | cu. ft. |
| Next | 70, 000 | cu. ft. | per month | .88 | per | 1, 000 | cu. ft. |
| Next | 100, 000 | cu . ft. | per month | .74 | per | 1, 000 | cu. ft. |
| Over | 200, 000 | cu . ft. | per month | .60 | per | 1, 000 | cu. ft. |

Minimum Bill: \$2.80 per month.

Prompt Payment Discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Special Discount For Interruptible Gas Service: Customers using to excess of 500, 000 cubic feet of gas monthly shall be entitled to a reduction of five cents per 1, 000 cubic feet for all gas used in excess of 500, 000 cubic feet, providing application for interruptible service is made and equipment and fuel for standby service, satisfactory to the Company, is installed and maintained.

Special Terms and Conditions: All new customers whose consumption of gas for any purpose will exceed an input rate of 4,000 cubic feet per hour shall consult with the Company and furnish details of estimated hourly input rates for all gas utilization equipment. Where system design capacity permits, such customers may be served on a firm basis. Where system design capacity is limited, Company will serve all such new customers on an interruptible basis only. Natural gas service to such customers will be interrupted when, in the judgment of the Company, it becomes necessary to curtail or

interrupt service in order to maintain firm gas service. Company shall be the sole judge as to the capacity of its pipeline system.

It is advisable for all architects, contractors, heating engineers and installers, and all others to consult with the Company before proceeding to design, erect or redesign installations for the use of natural gas. This will insure that such equipment will conform to the Company's ability to adequately serve such installations with gas.

A fee of \$5.00 will be collected for reconnecting service to a customer who has discontinued gas service during the non-heating season.

The Company's rules which are on file with and approved by the Commission from time to time are incorporated herein by reference.

Industrial Gas

For Use In: All communities served by the Company in Montana.

Availability:

For industrial customers using in excess of 50,000, 000 cubic feet of gas annually, whose primary use of gas is for manufacturing, processing or producing products for sale and whose use of gas for space heating, water heating and cooking is incidental thereto. Such customers will be served only by special contracts, if Company's facilities and gas supply are adequate, subject to the approval of the Public Service Commission .

Rate: For all gas consumed- 37 1/24 per 1,000 cu. ft.

Monthly Billing Adjustment

The total amount billed for each monthly billing period shall be adjusted by multiplying by a fraction, the numerator of which shall be the sales base pressure, psia, and the denominator 14.0125 psia.

Cost of Purchased Gas Adjustment: The rate in this schedule shall be adjusted upward for each .14 per mcf increase or downward for each .14 per mcf decrease in the average cost of gas purchased from non-affiliated producers for the integrated system above or below 18. 254 per mcf measured at the pressure base of 15.025 psia. The Company shall file with the Commission on or before June 1 and December 1 of each year a statement under oath setting forth the average cost of gas purchased for the integrated system for the twelve months immediately ended April 30 and October 31, respectively, and any

adjustment in rates occasioned thereby shall be effective with the billing beginning July 1 and January 1, unless the Commission shall otherwise order .

Minimum Bill:

\$18,750 per year. If there is any doubt as to whether or not the customer's annual bill will reach \$18, 750, the Company will bill him in such a manner

that the charge will be not less than \$1, 562.50 times the number of months from the effective date of this rate (or from beginning of service if that is later) or each anniversary of such date.

Prompt Payment Discount: None

Special Terms and Conditions: Deliveries of gas under this schedule shall be subject at all times to the prior demands of domestic and small commercial customers, and the Company shall have the right to interrupt deliveries to customers under this schedule without being required to give previous notice of intention so to interrupt whenever, in its judgment, it may be necessary to do so to protect the interests of those customers whose demands are hereby given preference.

The foregoing schedule is subject to Rate No. 130-M and any amendments or alterations thereto or additional rate schedules promulgated by the Company under the laws of the state.

IT IS FURTHER ORDERED that said General Gas Schedule of rates and charges to be filed shall not apply in the Baker and Saco districts. IT IS FURTHER ORDERED that the presently existing General Gas Rate Schedule 60-M-3a become effective in the Baker and Saco districts on July 1, 1974. IT IS FURTHER ORDERED that the cost of Purchased Gas Adjustment Clause be not used on the general gas rate schedule. IT IS FURTHER ORDERED that the Cost of Purchased Gas Adjustment Clause be used on the industrial rate schedule. IT IS FURTHER ORDERED that upon the filing of the revised schedules of rates and charges and upon the approval thereof by this Commission that the revised schedules of rates and charges so filed and approved shall become effective on all gas meter readings on and after July 25, 1973.

Part "B"
Rate Base

Company Exhibit #31 presented figures which, after allocations were made, resulted in the following plant figures for the Montana portion of the electric division for the test year ended December 31, 1971.

Reproduction Cost New (RCN) \$47 , 634,228

Reproduction Cost New Depreciated (RCND) 35,215,729

Original Cost (OC) 28,948,806

Original Cost Depreciated (OCD) 18,122,751

on (OC) 164,901

Contributions in Aid of Construction (RCN) 219,641

Construction Work in Progress 31,007

Working Capital 758,267

Fair Value Rate Base 28,970,067

As required by 70-106, RCM 1947, the commission has determined the property values of Montana portion of the company's electric division properties. In doing so the commission has determined the fair value of the utility's properties as directed by the supreme court of Montana in Tobacco River Power Co. v. Mont. Pub. Serv. Comm., supra. In Tobacco River Power Co. v. Mont. Pub. Serv. Comm., 109 Mont. at 529, 530, 33 PUR NS at 156, the court said;

"It is observed from 3884, that considerable latitude is allowed the public service commission in determining value. Neither the public service commission nor the utility company is limited to or bound by any particular method in arriving at the solution of the question of value. It must be borne in mind always that the ultimate fact to be determined is value upon which rates are based, which must of course be done under proper legal procedure and restrictions.

The cost of reproduction new, less depreciation, is usually regarded as one of the most important, if not the dominant factor, in the determination of value. (Citation) Under the section of the Montana codes cited, assessment rolls are likewise admissible as evidence of value, but of course are not exclusive. When the state condemns property of a landowner, it frequently resorts to assessed valuations as evidence, but more often than not the jury will determine damages and valuation in excess of that set out in the assessment rolls. Original cost, assessment values, cost of reproduction new, prudent investment theory, public records mentioned in 3884, and opinions of value are all means to an end, namely, the determination of value. "

Since the above decision was issued, it has been affirmed three times by the Montana supreme court.

Montana ex ref. Olsen v. Montana Pub. Serv. Comm., supra, (131 Mont. 111)

Montana ex ref. Olsen v. Montana Pub. Serv. Comm. supra (131 Mont. 272)

Cascade County Consumers Asso. v. Montana Pub. Serv. Comm., supra.

The determination of the RCND valuations is governed by a further reference to the Tobacco River Power Co. decision. In that decision the Montana supreme court held that

observed depreciation is the preferred method in determining RCND valuations when it said in 109 Mont. at 534,33 PUR NS at 159:

"The accrued depreciation should be ascertained, where possible, by actual inspection or examination of the property, especially where the age of the various items of the property is different or the depreciation is wanting in uniformity, and such method of determination is always

preferable to calculations or estimates based merely on probabilities. . ."

The commission has, as it has in various previous rate cases, used checks provided by Mr. Hess, the commission consultant, to determine the accuracy of the company's RCND valuations.

The commission's review of the company's electric plant figures revealed a considerable difference in the percent condition of the RCND plant valuations and the OCD plant valuations. The RCND percent condition of the company's valuations being some ten percent higher than the percent condition of the OCD valuations. As it has in previous dockets, the commission has reduced this difference in percent condition in their deliberations.

The following questions and answers came about during direct examination of the company witness.

Q. Didn't you state in connection with the Gas Utility proceeding that you did not know the value set by the Board of Equalization for the properties situated in Montana?

A. That is correct.

Q. Didn't you further state that the valuation would not be applicable here because MDU's rate base includes properties located outside Montana that are used for rendering service to Montana customers?

A. Yes, sir.

Q. Is this also true of the Electric Utility?

A. Yes, sir.

The company requested allowances for working capital and plant under construction. The plant under construction will not be included in the Commission's valuation consideration and the commission is of the opinion that sufficient reserves and accruals are existent to satisfy the working capital needs of the company.

In arriving at its fair value valuation of the Montana portion of the company's electric properties, the commission has considered all evidence presented to it.

After a careful review of the above, including the adjustments and the deletions mentioned, the commission has determined that the present fair value of the Montana portion of the company's electric division properties as of the end of the test year December 31, 1971 are \$24,199, 448.

Operating Results

The company submitted exhibits which allegedly showed that company earnings or net operating income for the Montana operations of the electric division were \$1, 268, 961 for the test year ended December 31, 1971. After adjustments for known expense changes including labor costs, rate case expense, amortization of power plant, abandonment losses over a ten year period, etc., the company showed adjusted earnings for the test year 1971 of \$1,124,460 under the existing rate schedules.

The commission will not allow the amortization of the power plant losses as the company has already charged this amount off in a lump sum. Neither will the commission allow ad valorem tax and depreciation expense on nonrevenue producing property under construction on December 31, 1971. All advertising expense has also been disallowed.

Again the commission finds itself in sharp disagreement with the company in the matter of computing the income tax expense.

The company in computing the income tax merely deducted interest expense from operating income before taxes in computing the income tax. As Mr. Hess pointed out this completely ignores other deductions such as preferred stock dividends, debt discount and expense, depletion, capitalized taxes, etc. Mr. Hess further pointed out that the company had been flowing through the tax benefit received from the difference between book straightline and tax straightline depreciation expense. However, the company in its rate case presentation had normalized these benefits.

The commission has flown through the tax benefits resulting from the difference between book straightline depreciation expense and tax straightline depreciation expense. It has also used all deductions available to the company in computing the company's income tax.

After making all the adjustments set forth above and making minor adjustments in revenue for a growth factor, the commission finds that the earnings of the Montana portion of the company's electric division were \$1,332,047 for the test year ended December 31, 1971.

The earnings figure of \$1, 332, 047 taken in conjunction with the fair value valuation of the company's properties of \$24,199,448 results in a rate of return of 5.5 percent. In the commission's opinion this is a clearly deficient rate of return

CONCLUSION

In part "A" of this order the commission determined a fair rate of return to be 6.5 percent for Montana-Dakota Utilities Co. gas operations. The (Commission has determined that a rate of return of 6.5 percent would be an equally fair rate of return for the electric portion of the company's operations. While the commission usually finds that a slightly higher rate of return is necessary for the gas portion of a combined electric-gas company due to the inherent higher risk of gas operations, in the instant proceedings the commission is of the opinion that the risks are commensurate because of the growth pattern of the electric portion of the company's Montana operations.

After applying a rate of return of 6.5 percent to the fair value rate base of \$24,199,448, the commission finds that earnings of \$1,572,964 are required for the Montana electric operations. As earnings of \$1, 332, 047 have been determined under the existing rate schedules for the test year ended December 31, 1971, it is apparent that an increase in earnings of \$240, 917 is required. In order to obtain \$240,917 in additional earnings it is necessary to allow \$51.51 for federal and state income taxes of each \$100.00 of additional revenues. It therefore becomes necessary for the company to file electric rate schedules which will produce additional revenues of \$496, 839.

The commission has determined that none of the additional increased revenues authorized hereinbelow shall be placed on the minimum residential rate nor on the first 250 KWH of the residential rate schedules as set forth hereinbelow.

After carefully considering all the evidence presented in this docket and for the reasons stated above the commission makes the following

FINDINGS OF FACT

1. That the Montana-Dakota Utilities Company is a public utility furnishing natural gas service and electric service in the State of Montana and is subject to the jurisdiction and authority of this commission.

2. That the present fair value of the Montana portion of the company's electric system properties actually used and useful for the convenience of the Montana public is \$24,199,448 as of December 31, 1971.

3. That the existing schedules of rates and charges produced adjusted earnings of \$1, 332, 047 for the test year 1971.

4. That earnings of \$1, 332, 047 produced a rate of return of 5.5 percent on the present fair value of the company's properties of \$24,199,448 as of December 31, 1971.

5. That the existing rates and charges provide the company a deficient rate of return and that rate relief is needed by the company.

6. That 6.5 percent is a fair and equitable rate of return.

7. That a rate of return of 6.5 percent taken in conjunction with present fair value of the Montana portion of company's electric properties as of December 31, 1971 would require earnings of \$1,572,964.

8. That the adjusted earnings as of December 31, 1971 under the existing schedules of rates and charges were \$1, 332, 047.

9. That an increase in earnings of \$240,917 is required.

10. That the company be authorized to file schedules of rates and charges for electric service which will produce \$496,839 in additional revenue including a provision of \$255, 922 for federal and state income taxes.

11. That no portion of the increased revenues shall be produced by increasing the rates for the minimum residential bill nor the rates for the first 250 KWH on the strictly residential schedules as set forth below.

12. That the increase approved is cost justified and does not reflect future inflationary expectations.

13. That the increase approved is the minimum required to assure continued adequate and safe services or to provide for necessary expansion to meet future requirements.

14. That the increase approved will achieve the minimum rate of return needed to attract capital at reasonable costs and not to impair the credit of the company.

15. That the increase approved does not reflect labor costs in excess of those allowed by policies of the Cost Of Living Council.

16. That the increase approved takes into account expected and obtainable productivity gains.

17. That the commission has provided reasonable opportunity for participation by all interested parties or their representatives in these proceedings.

18. That the schedules of rates and charges hereinafter set forth are fair, just, reasonable and non-discriminatory.

The commission concludes that the rate relief requested in the petition of the Montana-Dakota Utilities Company for its Montana electric division be granted in part as hereinafter ordered.

ORDER

NOW, THEREFORE, at a session of the Public Service Commission of the State of Montana. held in its offices at 1227 11th Avenue, Helena, Montana, on May 29, 1973, there being present Chairman Louis G. Boedecker and Commissioners Ernest C. Steel and Robert E. McTaggart, there regularly came before the commission for final action the matters and things relating to the application of the Montana-Dakota Utilities Company authority to adopt new rates and charges for electric service in Docket No. 6126 and the commission being fully advised in the premises; IT IS ORDERED by the commission that the Montana-Dakota Utilities Company be authorized to file revised schedules of rates and charges for electric in conformity with schedules of rates and charges set forth below:

Residential

For Use In: All communities served in Montana.

Availability: Available for single phase electric service in dwelling units occupied by one family, except where underground electric service is furnished by the Company, which service will be furnished under Rate 12-M-1 or amendments thereto.

Rate:

| | | |
|-----------|-------------------|----------------|
| Base rate | | \$1. 50 and |
| First | 50 kwh per month | 3.0 4 per kwh |
| Next | 100 kwh per month | 2.75 4 per kwh |
| Over | 150 kwh per month | 2.5 4 per kwh |

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply.

Prompt Payment Discount:

None. Bill s are due when rendered and become delinquent if not paid within ten days.

Minimum Bill: The base rate.

Special Terms and Conditions:

The Company's rules which are on file with and approved by the commission from time to time are incorporated herein by reference.

Underground Electric Residential

For Use In: All communities served in Montana

Availability: Available for single phase underground electric service in dwelling units and trailer houses occupied by one family. This rate is applicable at any location for a period of time not to exceed eight years, at which time service at the location will be billed under rate 10-M-4.

Rate:

| | | |
|-----------|-------------------|-----------------|
| Base rate | | \$3 .00 and |
| First | 50 kwh per month | 3.0 4 per kwh |
| Next | 100 kwh per month | 2 .75 4 per kwh |
| Over | 150 kwh per month | 2.5 4 per kwh |

Prompt Payment Discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Minimum Bill: The base rate.

Special Terms and Conditions:

The Company's rules which are on file with and approved by the commission from time to time are incorporated herein by reference.

Optional All Electric Underground Residential

For Use In: All communities served in Montana

Availability:

Available for single phase underground electric service through one meter for any residential customer in a single private residence for all domestic uses where the customer has either an approved water heating installation or an approved space heating installation or both. This rate is applicable at any location for a period of time not to exceed eight years, at which time service at the location will be billed under rate 18-M-2 or amendments thereto.

Rate:

| | | |
|-----------|-------------------|-----------------|
| Base rate | | \$3.00 and |
| First | 50 kwh per month | 3 .0 4 per kwh |
| Next | 100 kwh per month | 2.75 4 per kwh |
| Next | 350 kwh per month | 2.5 4 per kwh |
| Next | 250 kwh per month | 1 .85 4 per kwh |
| All over | 750 kwh per month | 1.65 4 per kwh |

Minimum Monthly Bill: The base rate.

Prompt Payment Discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Rules for Application of All Electric Residential Service Rate:

1. Specifications: or an approved water heating installation under this rate:
 - a. The water heating installation shall not be used to supplement any other system of providing hot water service
 - b. The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for 240 volt single phase service. Except by special authorization from the Company no heating element shall be more than 4, 500 watts.

If there are two elements, they shall be so connected or interlocked so that they cannot operate simultaneously.

2. Specifications for an Approved Space Heating Installation under this: rate

a. Electric space heating and air-conditioning equipment shall be designed to operate at 240 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.

b. The Company reserves the right to require that the voltage applied to resistance type space heating units rated for 240 volts be reduced to 120 volts for a period of not to exceed two hours per day during the time of the Company's peak load or during the time the Company's local conditions of operation may dictate.

c. Heating in each room or zone, shall be controlled by one or more thermostats located within the room or zone, but not more than five kilowatts shall be controlled by one thermostat .

d. All installations must meet the minimum standards of the National Safety Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system . Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate service .

The Company's rules which are on file with and approved by the Commission from time to time are incorporated herein by reference.

Trailer Courts and Tourist Courts - Sub-Metered

For Use In: All communities served in Montana.

Availability: Service under this rate schedule is available to persons operating trailer courts and tourist courts and sub-metered service to dwelling units. Additional service to dwelling units which are not sub-metered, and to stores, restaurants, filling stations, yard lights, advertising signs, etc. used in connection with the court shall be supplied through another circuit which shall be separately metered and billed at the general electric service rate.

Terms and Conditions: Customer shall make application to the Company for sub-metered service, which will be granted subject to the following terms and conditions. This schedule shall apply only to dwelling units where service is sub-metered. Incidental service under this rate shall be limited to a registry office, vacancy sign, and incidental use not to exceed 200 kwh per month. All energy shall be measured through ,one master meter. The court operator shall charge his tenants 30 per kwh for energy consumed but shall make no minimum or base charge. A copy of this rate schedule shall be posted in a conspicuous place in the registry office.

Base Rate: \$2.50 per month.

Energy Charge: 3.04 per kwh

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply.

Prompt Payment Discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Minimum Bill: The base rate.

Special Terms and Conditions: The Company's rules which are on file with and approved by the Commission from time to time are incorporated herein by reference.

Residential (Multiple Dwelling and Rooming House)

For Use In: All communities served in Montana.

Availability: Multiple Dwellings: Electric service for multiple dwellings structures having two or more distinct household or living units, and for rooming houses and other living quarters having more than five rooms occupied by persons not related to the head of the household. All energy must be measured through one meter and may not be resold.

Energy Charge:

First 250 kwh per month 3.74 per kwh

Over 250 kwh per month 2.754 per kwh

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply.

Prompt Payment Discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Minimum Bill: \$ 3.30 per month .

Special Terms and Conditions:

The Company's rules which are on file with and approval by the Commission from time to time are incorporated herein by reference.

Optional All Electric Residential Service

For Use In: All communities served in Montana.

Availability: Available through one meter for any residential customer in a single private residence for all domestic uses where the customer has either an approved water heating installation or an approved space heating installation or both, except where underground electric service is furnished by the Company, which service will be furnished under Rate 14-M-1 or amendments thereto.

Rate

| | | |
|-----------|-------------------|-----------------|
| Base rate | | \$1.50 and |
| First | 50 kwh per month | 3.00 4 per kwh |
| Next | 100 kwh per month | 2 .75 4 per kwh |
| Next | 350 kwh per month | 2. 50 4 per kwh |
| Next | 250 kwh per month | 1. 85 4 per kwh |
| All over | 750 kwh per month | 1. 65 4 per kwh |

Minimum Monthly Bill: The base rate.

Prompt Payment Discount:

None - Bills are due when rendered and become delinquent if not paid within ten days.

Rules for Application for all Electric Residential Service Rate:

1. Specifications for an approved water heating installation under this rate

a. The water heating installation shall not be used to supplement any other system of providing hot water service.

b. The water heater shall be equipped with thermostatically controlled noninductive heating elements designed for 240 volt single phase service. Except by special authorization from the Company no heating element shall be more than 4,500 watts. If there are two elements, they shall be so connected or interlocked so that they cannot operate simultaneously .

2. Specifications for an Approved Space Heating Installation under this rate:

a. Electric space heating and air-conditioning equipment shall be designed to operate at 240 volts single phase, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.

b. The Company reserves the right to require that the voltage applied to resistance type space heating units rated for 240 volts be reduced to 120 volts for a period of not to exceed two hour per day during the time of the Company's peak load or during the time the Company's local conditions of operation may dictate.

c. Heating in each room. or zone, shall be controlled by one or more thermostats located within the room or zone, but not more than five kilowatts shall be controlled by one thermostat .

d. All installations must meet the minimum standards of the National Safety Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet

requirements and receive adequate service.

The Company's rules which are on file with and approved by the Commission from time to time are incorporated herein by reference.

General Electric Service

For Use In: All communities served in Montana.

Availability:

All types of service except street lighting, standby, resale or industrial customers covered by special contracts. The customer's wiring must be so arranged that all service can be measured through one meter. If the customer does not connect his wiring into a single system, each meter shall constitute a separate billing unit.

Rate:

Demand charge:

| | | |
|----------------|-------|-----------------------------------|
| | First | 10 kw or less of billing |
| demand | | |
| Over | | 10 kw per month of billing demand |
| Energy charge: | | |
| First | | 300 kwh per month |
| Next | | 300 kwh per month |
| Next | | 400 kwh per month |
| Next | | 1, 000 kwh per month |
| Next | | 8, 000 kwh per month |
| Over | | 10, 000 kwh per month |

No Charge

| | |
|---------------|----------------|
| over | \$185. Per kwh |
| Energy Charge | |
| First | 6.6 4 per kwh |
| Next | 5.5 4 per kwh |
| Next | 4.75 4 per kwh |
| Next | 3.75 4 per kwh |
| Next | 2.4 4 per kwh |
| Over | 1.75 4 cer kwh |

Determination of Billing Demand: The demand in kilowatts for billing purposes shall be the maximum 15-minute measured demand in the current months. Demands will be determined to the nearest one-tenth kilowatt. Customers whose loads have rapidly fluctuating and/or intermittent demand characteristics shall be subject to special rules and regulations.

Power Factor Clause: The Company may make tests to determine the power factor of the customer's load. If the power factor at the metering point under normal operating conditions is below 85%, the billing demand shall be determined by multiplying the

measured demand by .85 and dividing the result by the actual power factor.

Discount for Primary Service:

A five percent discount shall be allowed if the customer provides his own transformers and related equipment, satisfactory to the company, so that he can receive service and be metered at primary voltages of 2, 300 volts or greater.

Minimum Monthly Bill:

.The larger of:

\$1.85 or

The demand charge for the current month but not less than \$1.85
nor less than 92.5 cents per kw of the highest demand in excess
of 10 kw used during the previous eleven months.

Prompt Payment Discount: None. Bills are due when rendered and become delinquent if
not paid within ten days.

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply.

Special Terms and Conditions: Architects, contractors and electricians should consult
with the Company before proceeding to design or erect installations in which there will
be a substantial electric load, to make sure their equipment will meet requirements and
receive adequate service.

The Company's rules which are on file with and approved by the commission from time
to time are incorporated herein by reference.

Special Summer Rate for Schools

For Use In: All communities served in Montana.

A special rider applicable to Rate Schedule 20-M-3 is available to all elementary and
secondary schools whose normal course of instruction is suspended for the months of
June, July and August, as follows

The demand charge and the minimum bill requirements will be waived and a billing will
be computed for June, July and August for the energy used at the rate specified under
"Energy charge".

The Company does not read all meters on the same day; accordingly, the months of June,
July and August shall be interpreted to mean the three consecutive months' bills for meter

readings beginning June 16.

Municipal Electric Service

For Use By: All municipalities served in Montana where the municipality has a standard contract for operation of a street lighting system and/or a municipal pumping system with the Company.

Availability: For all lighting and power requirements of the municipality for public buildings or locations supported by public tax levies, and for which the city is liable for payment.

Rate:

\$1.65 per month per meter (or per location if unmetered)
plus
\$.022 per kilowatt hour for all energy consumed (metered or
estimated if unmetered)

Minimum Bill: \$1. 65 per month per service account.

Prompt Payment Discount: None - Bills- are due when rendered and become delinquent if
not paid within ten days.

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply.

Special Ornamental Lighting

For Use In: All Montana towns.

Availability:

Lighting of stringers erected overhead across streets for use during
holidays and other special occasions.

Rate: 4. 44 per kwh for all current consumed.

Prompt Payment Discount: None.

Minimum Bill: \$2.20 per meter per month.

Special Terms and Conditions:

The municipality or the businessmen of the town will be expected to pay the cost of
purchasing and erecting the stringers. The rate will be made available by the Company only
where the load can be handled without any additional investment on the part of the Company
in transformer capacity. It is recognized that these lights will be lighted only during holidays
and will come on the Company's peak load period on almost every occasion when they are
used. The City shall have control over the operation of the lights and will turn them on and
off at their option. When it is necessary to set more than one meter to record the current used
by these stringers, the monthly minimum charge will be \$2.20 for each meter so set.

Tax Adjustment: None.

Yard Lighting Service

For Use In: All communities served.

Applicable To: Company-owned mercury vapor yard lights.

Availability: General oil field service where the load consists principally of pumping and heating units for production and transportation of oil. Incidental lighting and power may be connected to the same circuit.

Rate:

Demand Charge:

On connected loads of 25 H.P. or less, a demand charge of \$1.10 per H.P. of connected load; on connected loads in excess of 25 H.P., a demand charge of \$1.10 per H.P. of demand based upon the highest 15 minute interval demand as registered upon a demand meter during the month covered by the billing period but in no event less than \$27 .50.

Energy Charge:

First 2, 000 kwh per month \$.022 per kwh

All over - \$. 0165 per kwh

Prompt Payment Discount: None.

Minimum Bill: The demand charge.

Tax Adjustment: Plus the applicable proportionate part of any impost, assessment or charge imposed or levied by any governmental authority as a result of laws or ordinances enacted after this date which is assessed or levied on the basis of revenue for electricity or service sold, and/or the volume of electricity produced and sold.

Power Factor Clause: The Company reserves the right to make monthly tests to determine the power factor of the customer=s installation served hereunder. Tests will be made at the metering point. Should the power factor for the month (determined by test under normal operating conditions) be below 80% or above 90% lagging, the demand for billing purposes will be determined by multiplying the measured demand by 85% and dividing by the power factor for the month.

Irrigation Power

For Use In: All areas served by the Company in Montana.

Availability: Available to irrigation power consumers located adjacent to the Company=s three-phase lines for power and incidental lighting service provided the Company has sufficient available capacity.

Rate:

Demand Charge:

\$5.50 per season per horsepower of connected load.

Energy Charge:

1.14 per kilowatt hour for all energy consumed.

Power Factor Clause The Company reserves the right to make monthly tests to determine the power factor of the customer's installation served hereunder. Tests will be made at the metering point. Should the power factor for the month (determined by test under normal operating conditions) be below 80% or above 90% lagging, the demand for billing purposes will be determined by multiplying the measured demand by 85% and dividing by the power factor for the month.

Determination of Connected Load: The Company shall determine the connected horsepower by nameplate rating of the motors, or at its option by test under conditions of maximum operating load.

Tax Adjustment: Plus the applicable proportionate part of any impost, assessment or charge imposed or levied by any governmental authority as a result of laws or ordinances enacted after this date which is assessed or levied on the basis of revenue for electric energy or service sold, and/or the volume of energy generated and sold.

Prompt Payment Discount: None.

Minimum Seasonal Charge:
\$8.80 per horsepower of connected load but not less than \$88.00.

Method of Billing: The demand charge will be billed at the rate of \$1.10 per horsepower per month for the months of April, May, June, July and August. The energy charge will be billed monthly based on consumption. If the total seasonal bill through the month of August is less than \$8.80 per horsepower of connected load, one-half of the deficiency will be billed in September and the balance in October.

Special Terms and Conditions: Individual motors having a rating in excess of 10 horsepower must be three-phase. All wiring and other facilities beyond the point of metering shall be owned, operated and maintained by the customer. Unless otherwise agreed to by the Company metering shall be at the pole nearest to the place where service is metered to the customer's dwelling .

Service shall be available only during the irrigation season.

Feed Grinding

For Use In: All communities served.

Availability: For customers doing a custom feed grinding business for the operation of feed grinding equipment. No operation will be allowed between the hours of one-half hour before sunset and 10:00 o'clock PM under this schedule. No other load shall be included under this

schedule.

Rate:

| | | | |
|-------|----------------------|------|-----------|
| First | 1, 000 kwh per month | 5.5 | 4 per kwh |
| Next | 1,500 kwh per month | 4.95 | 4 per kwh |
| Next | 2, 500 kwh per month | 4 .0 | 4 per kwh |
| Over | 5, 000 kwh per month | 3.5 | 4 per kwh |

Prompt Payment Discount:

None. Bills are due when rendered and become delinquent if not paid within ten days.

Minimum Bill:

\$1.10 per horsepower for first 5 horsepower of connected load; 25¢ per horsepower of connected load in excess of 5 horsepower; but not less than \$11.00.

Special Terms and Conditions:

The Company's rules which are on file with and approved by the commission from time to time are incorporated herein by reference.

Street Lighting

For Use In:

Class 1 Montana towns. as defined in Rate Schedule 115-M

Availability: Company-owned street lighting systems for street lighting purposes including streets, alleys and other public grounds. Service will be provided all night every night in the year with a minimum service requirement of 4,000 hours annually, and must be covered by written contract.

Rate

Energy Charge:

1.98 per kwh measured by the total rated capacity of the lamps in use.

Street series lamp ratings in lumens and mercury vapor lamp ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

Special discount applicable to energy charge only:

For contracts of less than three years - None

For contracts of three years or more - 1% times the total number of years of the contract.

Maximum discount - - - -

10%

Prompt Payment Discount: None.

Minimum Bill: As provided in contract.

Special Terms and Conditions: The Company will maintain the facilities and change the light bulbs when notified by the municipality that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of employees of the municipality. In case of vandalism, malicious mischief, or willful negligence the Company will charge the municipality for the cost of repair and replacements.

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply.

Street Lighting

For Use In:

Class 1 Montana towns, as defined in Rate Schedule 115-M.

Availability: Municipally owned street lighting systems for street lighting purposes including streets, alleys and other public grounds. Service will be required all night every night in the year, with a minimum service of 4,000 hours annually, and must be covered by written contract.

Rate:

When metered at a point of delivery to the municipality's lighting system - 1. 654 per kwh

When delivered to the municipality's lighting system unmetered - 1. 984 per kwh measured by the total rated capacity of the lamps in use.

When service is not metered, the bill shall be computed on an annual basis, and one-twelfth shall be payable each month.

Street series lamp ratings in lumens and mercury vapor lamp ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

Special Discount:

For contracts of less than three years - None

For contracts of three years or more - 1% times the total number of years of the contract.

Maximum discount - - - - - 10%

Prompt Payment Discount: None

Minimum Bill: As provided in contract.

Special Terms and Conditions:

An additional charge will be made to cover lamp replacements, materials

and labor wherever such services are supplied by the Company.

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission shall apply.

Street Lighting

For Use In:

Class 2 Montana towns. as defined in Rate Schedule 115-M.

Availability: Company-owned street lighting systems for street lighting purposes including streets, alleys and other public grounds. Service will be required all night every night in the year with a minimum service of 4,000 hours annually and must be covered by written contract.

Rate:

Energy Charge:

2.644 per kwh measured by the total rated capacity of the lamps in use.

Street series lamp ratings in lumens and mercury vapor lamp ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

Special discount applicable to energy charge only: For contracts of less than three years - None For contracts of three years or more - 1% times the total number of years of the contract.

Maximum discount - - - - - 10%

Prompt Payment Discount: None

Minimum Bill: As provided in contract

Special Terms and Conditions: The Company will maintain the facilities and change the light bulbs when notified by the municipality that they are burned out except when the facilities are damaged or destroyed by vandalism, malicious mischief by third parties, or willful negligence on the part of employees of the municipality. In case of vandalism, malicious mischief, or willful negligence the Company will charge the municipality for the cost of repair and replacements.

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply.

Street Lighting

For Use In:

Class 2 Montana towns, as defined in Rate Schedule 115-M.

Availability: Municipally owned street lighting systems for street lighting purposes including streets, alleys and other public grounds. Service will be required all night every night in the year, with a minimum service of 4,000 hours annually, and must be covered by written contract

Rate:

When metered at a point of delivery to the municipality's lighting system - 2.24 per kwh.

When delivered to the municipality's lighting system

unmetered - 2.644 per kwh measured by the total rated capacity of the lamps in use.

When service is not metered, the bill shall be computed on an annual basis. and one-twelfth shall be payable each month.

Street series lamp ratings in lumens and mercury vapor lamp ratings in lumens shall be converted to watts on the basis of the published ratings currently issued by the General Electric Company and the Westinghouse Electric Corporation.

Special discount:

For contracts of less than three years - None

For contracts of three years or more - 1% times the total number of years of the contract.

Maximum discount - - - - - 10%

Prompt Payment Discount: None

Minimum Bill: As provided in contract.

Special Terms and Conditions:

An additional charge will be made to cover lamp replacements, materials and labor wherever such services are supplied by the Company.

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply.

Optional Airport Runway Lighting

For Use In: All communities served

Availability:

For all runway and beacon lights at airports operated by a governmental agency provided this service is separately metered.

Rate: 3.34 per kwh for all energy used.

Minimum Bill: \$11.00 per month.

Prompt Payment Discount:

None. Bills are due when rendered and become delinquent if not paid within ten days.

Tax Adjustment:

The Company's standard tax clause, which is on file with the Public Service Commission, shall apply.

Special Terms and Conditions: The Company's rules which are on file with and approved by the commission from time to time are incorporated herein by reference.

Municipal Pumping

For Use In:

Class 1 Montana towns, as defined in Rate Schedule 115-M.

Availability: Municipal pumping purposes only and provided the municipality uses electricity exclusively for all its pumping requirements and purchases all such electricity from the Company. Municipality must sign a contract for a minimum period of one year.

Rate:

Base Rate:

On connected loads of 25 H.P. or less, a demand charge of 554 per H . P ., of connected load; on connected loads in excess of 25 H.P., a demand charge of 554 per H.P. of demand based upon the highest 15 minute interval demand as registered upon a demand meter during the month covered by the billing period but in no event less than \$13.75.

Energy charge:

1.14 per kwh

Special discount:

For contracts of less than three years - None

For contracts of three years or more - 1% times the total number of of years of the contract.

Maximum discount ~ - - - - - 10\$

Prompt Payment Discount: None

Minimum Bill: The demand charge.

Tax Adjustment: The Company's standard tax clause, which is on file with the commission shall apply.

Municipal Pumping

For Use In:

Class 2 Montana towns, as defined in Rate Schedule 115-M.

Availability: Municipal pumping purposes only and provided the municipality uses electricity exclusively for all its pumping requirements and purchases all such electricity from the Company. Municipality must sign a contract for a minimum period of one year.

Base Rate:

On connected loads of 25 H.P. or less, a demand charge of \$.55 per H.P. of connected load; on connected loads in excess of 25 H.P., a demand charge of \$.55 per H.P. of demand based upon the highest

15 minute interval demand as registered upon a demand meter during the month covered by-the billing period but in no event less than \$13.75.

Energy Charge:

First 2, 000 kwh per month - 2. 24 per kwh
All over " " " " - 1.14 per kwh

Special Discount:

For contracts of less than three years - None
For contracts of three years or more - 1% times the total number of years of the contract.
Maximum discount - - - - - 10%

Prompt Payment Discount: None

Minimum Bill: The demand charge.

Tax Adjustment

The Company's standard tax clause, which is on file with the commission. shall apply.

Uncontrolled Residential and Commercial
Electric Water Heating

For Use In: All towns served in Montana.

Availability:

Uncontrolled electric service for water heating, for customers who also receive electric service from the Company under another schedule.

To qualify for service under this schedule the installation must consist of a separate circuit of approved conduit or metal armored cable CGO-struction so that this service may be separately metered.

Rate: 1. 854 per kwh for all energy used.

Tax Adjustment: Plus the applicable proportionate part of any impost, assessment or charge imposed or levied by any governmental-authority as a result of laws or

ordinances enacted after this date which is assessed or levied on the basis of revenue for electric energy or service sold, and/or the volume of energy generated and sold.

Prompt Payment Discount: None.

Minimum:

\$2 .20 per month, plus \$.55 for each 500 watts, or fraction thereof of heater capacity in excess of 2,000 watts.

Controlled Residential and Commercial
Electric Water Heating

For Use In: All communities served in Montana.

Availability: Controlled electric service to customers for water heating when electric service is also taken under another schedule.

To qualify for service under this schedule the installation must conform to the following conditions;

(1) The water heater must be on a separate circuit of approved conduit or metal armored cable construction so that service may be separately metered.

(2) The circuit shall be controlled by a time clock furnished by the Company and shall be subject to interruption up to 7 hours per day at such time or times as the company may elect.

Rate: 1.65 per kwh for all energy used.

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply..

Prompt Payment Discount:

None.- Bills are due when rendered and become delinquent if not paid within ten days.

Minimum Bill:

\$1. 65 per month, plus \$.55 for each 500 watts, or fraction thereof of heater capacity in excess of 1, 500 watts.

Special Terms and Conditions: The Company's rules which are on file with and approved by the commission from time to time are incorporated herein by reference.

Residential and Commercial Cooking and Heating

For Use In: All communities served in Montana.

Availability: Residential customers who do not have lighting service and for all commercial cooking and heating purposes. The equipment to be used under this rate must be on a separate circuit of approved conduit or metal armored cable construction so that service may be separately metered.

Rate:

| | | |
|-------------|-------------------|-----------------|
| First | 100 kwh per month | 5.5 4 per kwh |
| Next | 200 kwh per month | 4.4 4 per kwh |
| <i>Over</i> | 300 kwh per month | 2 .75 4 per kwh |

Tax Adjustment:

The Company's standard tax clause, which is on file with the commission, shall apply.

Prompt Payment Discount: None. Bills are due when rendered and become delinquent if not paid within ten days.

Minimum Bill:

Residential - \$2.20 per month

Commercial - \$.55 per month per kw of connected load but not less than \$2.20 per month

Special Terms and Conditions: The Company's rules which are on file with and approved by the commission from time to time are incorporated herein by reference.

Space Heating

For Use In: All communities served in Montana.

Availability: Available for any residential or commercial customer for space heating, where the customer also takes service under another rate. Customer must file a signed application requesting electric service for space heating, stipulating that electricity is to be the normal (not less than 90 percent) means for space heating. Air conditioning may also be taken in conjunction with space heating under this rate, but no other load will be allowed on this rate.

Rate:

1.94 per kwh for the first 3,000 kwh per month

1.654 per kwh for all over 3,000 kwh per month

Minimum Monthly Bill: None.

Prompt Payment Discount

None - Bills are due when rendered and become delinquent if not paid within ten days.

Special Conditions:

1. Electric space heating and air-conditioning equipment shall be designed to operate at 240 volts, shall be separately metered and separately circuited, shall be permanently installed and the electric heating equipment shall be the primary source of space heating.

2. The company reserves the right to require that the voltage applied to resistance type space heating units rated for 240 volts be reduced to 120 volts for a period of not to exceed two hours per day during the time of the Company's peak load or during the time the Company's local conditions of operation may dictate.

3. Heating in each room, or zone, shall be controlled by one or more thermostats located within the room or zone, but not more than five kilowatts shall be controlled by one thermostat.

4. All installations must meet the minimum standards of the National Safety Code so that the equipment will operate in a satisfactory manner and not interfere with other operations of the Company's system. Architects, contractors and electricians should consult with the Company before proceeding to design or erect installations for house heating to make sure their equipment, insulation and building construction will meet requirements and receive adequate

The Company's rules which are on file with and approved by the commission from time to time are incorporated herein by reference.

This rate is an experimental rate and may be amended by the Company.

IT IS FURTHER ORDERED that no part of the increase be apportioned to the minimum bill nor the first 250 KWH on the residential rate schedules.

IT IS FURTHER ORDERED that that portion of the application relating to the "Fuel Clause" and to a rate schedule entitled "Environmental Control Adjustment Schedule" be denied.

IT IS FURTHER ORDERED that upon the filing of schedules of rates and charges by the company in conformity with those set forth above and approved thereof by the commission the schedules of rates and charges so filed and approved shall be effective on all electric meter readings on and after July 25, 1973.

IT IS FURTHER ORDERED that a full, true and correct copy of this order be sent forthwith by first class United States mail to the applicant and all appearances herein.

The foregoing order was adopted by the Public Service Commission of Montana, with Commissioner Steel and Commissioner McTaggart voting yea and Commissioner Boedecker voting nay to all parts of the order except the part of the order which denied the "Cost of Purchased Gas Adjustment Clause", "Electric Fuel Clause" and Schedule 129-M "Environmental Control Adjustment Schedule" upon which denial of Chairman Boedecker and Commissioner

McTaggart voted yea to deny and Commissioner Steel voted nay.

DONE IN OPEN SESSION at Helena, Montana, this 29th day of May, 1973.

ERNEST C. STEEL, Commissioner

ROBERT E. McTAGGART, Commissioner

ATTE ST:

GAIL E. BURKITT
Secretary
(Seal)

DISSENT OF LOUIS G. BOEDECKER

I do not feel that this order should be issued in light of the recent White House executive order further providing for the stabilization of the economy; wherein was imposed a comprehensive freeze for a maximum period of sixty (60) days on all commodities and services offered for sale except prices for raw agricultural products. I do not concur in the order of the majority of the Commission and hereby dissent for the following reasons:

The fair values developed by the Commission were substantially higher than what I considered to be fair, resulting in rate increases that I maintain are not justified.

The Commission's expert witness, George Hess, directed considerable testimony toward discrediting the fair value concept. He, in my opinion, literally punched the fair value concept full of holes. So much so, that I believe the Commission would have been justified in throwing out the fair value approach and adopting an original cost rate base in this proceeding or in the alternative, given much, much less weight to the reconstruction cost new and reconstruction cost new depreciation valuation of the company.

The question, rates of industrial customers, deserves serious consideration by the Commission and particularly now, in view of the nation's energy situation and the attendant relative distribution of energy.

Montana-Dakota Utilities' industrial customers, in so far as Montana is concerned, consume 42% of the total gas sold by the company, and contributes only 22% of the total revenues received.

It does not seem unreasonable to suggest that the industrial rates are potentially discriminatory. The Public Service Commission does not have creditable documentation to support these rates nor has the company undertaken definitive cost of service studies to support their industrial rates. Therefore, it is my position, that the Commission cannot

presume to have adopted reasonable rates until it is provided with definitive cost of service studies for the industrial customers and the Commission should order that such studies be undertaken.

The only part of the order I agree with and was successful in getting considered was in the elimination from the application of the "Cost of Purchase Gas Adjustment" clause, "Electric Fuel" clause, and Schedule 129-M, "Environmental Control Adjustment" clause.

It is time, in fact, it is long overdue, that the Commission adopt a hard line regulatory position. It is time that someone take positive action in holding down consumer costs and give our people hope and faith in their government. Regulation should take the initiative in holding down these increases, and not contribute to the spiraling costs that will eventually lead to our economic destruction.

ATTEST:

GAIL E. BURKITT
Secretary

(SEAL)

LOUIS G. BOEDECKER, Chairman

The motion which authorized the rate increases referred to in this order was made and passed on the 29th day of May, 1973, a date prior to the price freeze announced by the President of the United States on June 13, 1973. Moreover, this order complies with the price guidelines and standards in effect at the time of the filing of the application for a rate increase by the applicant. For these reasons it appears that this order is lawful and within the price guidelines and standards of the federal government. In the event, however, that it should be determined otherwise, this order shall take effect upon approval, exception, or exemption by the Cost of Living Council or other federal regulatory body, if any. It shall be the obligation of the applicant to seek a determination from the appropriate federal agency of the date upon which the rate increases herein authorized may lawfully become effective. Upon reaching such a determination, the applicant must certify said date to this Commission.

Done in open session this 18th day

ATTEST

GAIL E. BURKITT
Secretary
(Seal)

ERNEST C. STEEL, Commissioner

ROBERT E. McTaggart, Commissioner